SIRONA BIOCHEM CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED JANUARY 31, 2020

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements by an entity's auditor.

SIRONA BIOCHEM CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at	January 31, 2020	October 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents	$ 3,071,664	$ 3,734,647
Trade and other receivables (Note 6)	332,826	121,384
Tax receivables (Note 7)	398,598	333,011
Share subscription receivable	18,400	2,400
Prepaid expenses and deposits (Note 8)	109,964	65,453
	$ 3,931,452	$ 4,256,895
LIABILITIES		
Current Liabilities		
Trade and other payables (Note 9)	$ 136,425	$ 415,711
Convertible debentures (Note 10)	-	247,544
Current portion of long-term debt (Note 11)	234,574	220,191
Current portion of lease obligation (Note 12)	36,786	36,585
Short-term loan (Note 15)	-	-
	407,785	920,031
Long-term debt (Note 11)	871,854	942,612
Lease obligation (Note 12)	92,361	101,774
Employee benefits (Note 14)	82,307	102,941
	1,454,307	2,067,358
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 15)	28,963,276	28,523,089
Contributed surplus (Note 15)	6,791,680	5,037,510
Equity portion of convertible debenture (Note 11)	14,546	22,335
Foreign translation reserve	(25,117)	(33,692)
Accumulated deficit	(33,267,240)	(31,359,705)
	2,477,145	2,189,537
	$ 3,931,452	$ 4,256,895

Commitments (Note 17)

APPROVED ON BEHALF OF THE BOARD:

"Howard Verrico"	Director	*" Alex Marazzi"*	Director
Howard Verrico		Alex Marazzi	

The accompanying notes are an integral part of these consolidated financial statements.

SIRONA BIOCHEM CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Three Months Ended January 31, 2020	Three Months Ended January 31, 2019
Revenue (Note 13)	$ -	$ 64,500
Expenses		
Research expenses (net)	307,020	241,153
Consulting fees	88,823	144,288
Office and administration	74,261	53,731
Accounting and audit fees (Note 16)	62,052	33,000
Wages, salaries and benefits (Note 16)	33,362	29,854
Management fees and (Note 16)	40,320	36,000
Travel and entertainment	17,640	5,897
Rental expenses	9,123	1,449
Investor relations	16,765	56,229
Legal fees	11,975	1,115
Filing fees and transfer agent fees	2,045	1,420
Exchange (gain)/loss	(1,080)	9,664
Share-based payments (Note 16)	1,815,542	-
	(2,477,848)	(549,300)
Other income/(expenses)		
Other income	4,299	-
Finance expense (Notes 10, 11 and 12)	571,597	(36,190)
	575,896	(36,190)
Loss for the period before income taxes	(1,901,952)	(585,490)
Income taxes recovery (expense)	(5,583)	3,983
Net loss for the period	(1,907,535)	(581,507)
Other comprehensive income (loss) for the period		
Foreign currency translation	8,575	1,608
Comprehensive loss for the period	$ (1,898,960)	$ (579,899)
Loss per share - basic and diluted	$ (0.01)	$ (0.00)
Weighted avaerage number of common shares outstanding - basic and diluted	225,237,997	179,325,982

The accompanying notes are an integral part of these consolidated financial statements.

SIRONA BIOCHEM CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian dollars, except share number)

	Issued common shares		Contributed	Equity portion of	Foreign translation	Accumulated	Total equity
	Number	Amount	surplus	convertible debenture	reserve	deficit	(deficiency)
BALANCE, OCTOBER 31, 2018	179,325,982	20,396,599	4,164,638	26,744	(38,817)	(26,810,130)	(2,260,966)
Loss for the period	-	-	-	-	-	(581,507)	(581,507)
Convertible debentures, net of issuance costs (Note 10)	-	-	16,649	(5,574)		-	11,075
Foreign currency translation	-	-	-		1,608	-	1,608
BALANCE, JANUARY 31, 2019	179,325,982	20,396,599	4,181,287	21,170	(37,209)	(27,391,637)	(2,829,790)
BALANCE, OCTOBER 31, 2019	224,030,004	$ 28,523,089	$ 5,037,510	$ 22,335	$ (33,692)	$ (31,359,705)	$ 2,189,537
Loss for the period	-	-	-	-	-	(1,907,535)	(1,907,535)
Convertible debentures, net of issuance costs (Note 10)	1,785,716	257,789	-	(7,789)		-	250,000
Issuance of stock options (Notes 15 and 16)	-	-	1,815,542	-	-	-	1,815,542
Exercise of options (Note 15)	225,000	157,275	(56,025)	-	-	-	101,250
Exercise of warrants (Note 15)	123,600	25,123	(5,347)	-	-	-	19,776
Foreign currency translation	-	-	-	-	8,575	-	8,575
BALANCE, JANUARY 31, 2020	226,164,320	28,963,276	6,791,680	14,546	(25,117)	(33,267,240)	2,477,145

The accompanying notes are an integral part of these consolidated financial statements.

SIRONA BIOCHEM CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED JANUARY 31,
(Expressed in Canadian Dollars)

	2020	2019
Operating activities		
Net loss for the period	$ (1,907,535)	$ (581,507)
Items not requiring use of cash:		
Consulting fees	41,770	45,155
Income taxes expense (recovery)	5,581	(3,983)
Interest accretion	2,456	6,473
Share-based payments	1,815,542	-
Changes in operating assets and liabilities:		
Trade and other receivables and tax receivables	(355,703)	(47,600)
Prepaid expenses and deposits	84,117	28,714
Trade and other payables	(267,385)	281,421
Employee benefits	(20,424)	(1,156)
Cash used in operating activities	(601,581)	(272,483)
Financing activities		
Option and warrants exercised	3,776	-
Repayment of long-term debt	(63,733)	(9,112)
Cash provided by financing activities	(59,957)	(9,112)
Increase in cash and cash equivalents	(661,538)	(281,595)
Effect of exchange rate fluctuations	(1,445)	2,805
Cash and cash equivalents, beginning of period	3,734,647	339,076
Cash and cash equivalents, end of period	$ 3,071,664	$ 60,286

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

The Company was incorporated on October 19, 2006 under the Business Corporations Act of British Columbia. The Company is a development stage public company listed for trading on the TSX Venture Exchange (the "Exchange") under the symbol SBM. The Company is a cosmetic ingredient and drug discovery company with a proprietary technology platform developed at its laboratory facility in France with a specialization in the stabilization of carbohydrate molecules. The principle activities of the Company are dedicated to the development of safer, more effective cosmetic and pharmaceutical active ingredients which are licensed to partners in exchange for upfront, milestone and royalty payments.

The head office, principal address and registered and records office of the Company are located at 605 – 889 West Pender Street, Vancouver, BC, V6C3B2.

2. BASIS OF PRESENTATION AND GOING CONCERN

Statement of compliance

The unaudited condensed interim consolidated financial statements (the "Interim Financial Statements") include the accounts of the Company and its wholly owned subsidiary, TFChem S.A.R.L. Any reference to "the Company" throughout these Interim Financial Statements refers to the Company and its subsidiary. All inter-entity transactions have been eliminated. The results of the operations of the subsidiary acquired during the year are included from the date of acquisition.

The Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), using the accounting policies the Company adopted in its consolidated financial statements as at and for the financial year ended October 31, 2019.

Going concern

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not achieved a scalable commercialization of its products. As of October 31, 2019, the Company has an accumulated deficit of $33,267,240 (2019 - $31,359,705). For the year ended January 31, 2020, the Company incurred a net loss of $1,907,535 (2019 – $581,597) and used net cash in operating activities of $601,581 (2019 – $272,483).

The Company's ability to continue as a going concern is dependent upon its ability to generate product sales, negotiate collaboration or license agreements with upfront payments, raise additional funding via debt and equity financing, and ultimately attain and maintain profitable operations. While the Company is striving to act on these initiatives, there is no assurance that these and other strategies will be successful or sufficient to permit the Company to continue as a going concern.

These circumstances comprise a material uncertainty which may cast significant doubt as to the Company's ability to continue as a going concern. These consolidated financial statements do not reflect adjustments to the carrying values of the Company's assets and liabilities, revenue and expenses, and the statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

Basis of measurement
These unaudited condensed interim consolidated financial statements have been prepared on a historical costs basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency
These unaudited condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency. The functional currency of its wholly owned subsidiary, TFChem S.A.R.L. ("TFC"), is the Euro.

Use of estimates
The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and may change if new information becomes available. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

See Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

Principles of consolidation
These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, TFC, a biopharmaceutical company based in Rouen, France.

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All significant inter-company balances and transactions between the Company and its wholly-owned subsidiary have been eliminated in preparing the consolidated financial statements.

Foreign currency
Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiary at the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in other than the functional currency are translated at the exchange rates in effect at the financial position date. The resulting exchange gains and losses are recognized in profit or loss. Non-monetary assets and liabilities denominated in other than the functional currency that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in other than the functional currency are translated using the exchange rate at the date of transaction.

Foreign operations

For consolidation purposes, the assets and liabilities of foreign operations are translated to the presentation currency using the exchange rate prevailing at the financial position date. The income and expenses of foreign operations are translated to the presentation currency using the average rates of exchange during the year. All resulting exchange differences are recorded as other comprehensive loss and accumulated in a separate component of shareholders' equity (deficiency), described as foreign translation reserve.

Financial instruments

Classification

On initial recognition, the Company determines the financial instruments classification as per the following categories:

- instruments measured at amortized cost;
- instruments measured at fair value through other comprehensive income (FVOCI) or through net income (FVTPL).

The financial instruments' classification under IFRS 9 is based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial instrument in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the Company, on initial recognition, may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives) or if the Company elects to measure them at FVTPL.

Measurement

Financial instruments at amortized cost

Financial instruments at amortized cost are initially measured at fair value, and subsequently at amortized cost, using the effective interest method, less any impairment loss. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statements of loss and comprehensive loss.

Financial instruments at fair value

Financial instruments are initially and subsequently measured at fair value and transaction costs are accounted for in the consolidated statements of loss and comprehensive loss. When the Company elects to measure a financial liability at FVTPL, gains or losses related to the Company's own credit risk are accounted for in the consolidated statements of loss and comprehensive loss.

Impairment

The Company recognizes loss allowances for expected credit losses ("ECL") on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

The Company measures loss allowances on amounts receivable at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Presentation of allowance for ECL in the consolidated statements of financial position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Derecognition

Financial assets
The Company derecognizes a financial asset when, and only when, the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred.

Financial liabilities
The Company derecognizes a financial liability when, and only when, it is extinguished, meaning when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of the extinguished financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of loss and comprehensive loss.

Cash and cash equivalents
Cash and cash equivalents consist of cash and highly liquid instruments that are readily convertible to cash with a maturity of three months or less when initially purchased. There were no cash equivalents as at January 31, 2020 and 2019.

Trade receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are classified in current assets, except for the portion expected to be realized or paid beyond 12 months of the consolidated statements of financial position date, if any, which are classified as non-current. Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. Trade receivables are held with the objective of collecting contractual cash flows and classified as subsequently at amortized cost using the effective interest method.

Leases
Finance leases
Leases of property and equipment where substantially all the risks and benefits incidental to the ownership of the asset are transferred the Company are classified as finance leases. Assets under finance leases are capitalized by recording an asset and a liability at the lower of the fair value of the leased property and equipment or the present value of the minimum lease payments, including any guaranteed residual values. Minimum lease payments are apportioned between the reduction of the outstanding lease liability and finance expense. Finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term, unless there is a reasonable certainty the Company will obtain ownership of the leased asset by the end of the lease term in which case it is deprecated over its useful life.

Operating leases
Other leases are operating leases and not recognized in the statement of financial position. Lease payments made under operating leases are charged as expenses on a straight-line basis over the term of the lease. Lease incentives received under operating leases are recognized as a reduction to the lease expense on a straight-line basis over the life of the lease term.

See Note 5.

Impairment of non-financial assets
The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is defined as the estimated price that would be received on the sale of the asset in an orderly transaction between market participants at the measure date. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of the cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions
Provisions for legal or constructive obligations are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Share capital
The Company's ordinary common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, warrants and stock options, net of any tax effects, are recognized as a deduction from equity.

Revenue recognition
The Company from time to time enters into licensing and collaboration agreements. The terms of the agreements may include non-refundable signing and licensing fees, milestone payments and royalties on any product sales derived from licensing arrangements.

The Company will only recognize revenue if a contract meets the following parameters: when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Once it is determined that a contract exists, the Company will evaluate the performance obligations within the agreement. Performance obligations will be analysed to determine whether they are distinct or whether they must be accounted for as a single unit of multiple related distinct goods and services. The Company will then perform an analysis to determine the total transaction price that it expects to receive from satisfying the performance obligations in the agreement.

If the contract also provides for development and regulatory milestone payments, royalties and sales-based milestone payments, these amounts are contingent on the occurrence of a future event and therefore give rise to variable consideration. The Company estimates variable consideration at the most likely amount to which it expects to be entitled. Estimated amounts are included in the transaction price when it becomes highly probable that the amount will not be subject to significant reversal when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of anticipated performance and all information (historical, current and forecasted) that is reasonably available. Based on this information and related analysis, any quarterly adjustments to revenue are recognized as necessary in the period they become known.

The upfront license fee is not considered a significant financing component because it is used to meet working capital demands that can be higher in the early stages of a contract and to protect the Company from the other party failing to adequately complete some or all of its obligations under the contract.

Sales-based royalty revenue and sales-based milestone payments will be recognized when the later of the following events occurs: the subsequent sale occurs or the performance obligation to which some or all of the sales-based royalty or sales-based milestone payment has been allocated has been satisfied. The calculated transaction price will then be allocated to the separate performance obligations based upon the relative standalone selling price of the performance obligations. If standalone selling price cannot be determined a residual approach may be used to estimate the standalone selling price when the selling price for a good or service is highly variable or uncertain.

Contract asset
The Company’s right to consideration in exchange for goods or services that have been transferred to a customer when that right is conditioned on something other than the passage of time (for example, the Company’s future performance).

Contract liability
The Company’s obligation to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customer.

Research and development
Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No development expenditures have been deferred to date.

Research and development costs includes fees paid to contract research organizations and other vendors who conduct certain research and development activities on behalf of the Company. The amount of expenses recognized in a period related to research arrangements with third parties is based on estimates of work performed using an accrual basis of accounting. These estimates are based on services provided, contractual terms and experience with similar contracts. The Company monitors these factors and adjusted the estimates accordingly.

Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Long term employee benefits

A liability is recognized for benefits accruing to employees when it is probable that settlement will be required and it is capable of being measured reliably. Liabilities recognized in respect of employee benefits which are not due to be settled within one year are measured at the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to the reporting date. As of January 31, 2020, and 2019, the employee benefit amount represents the retirement allowance payable accrued by TFC.

Share-based payment transactions

The Company awards shares of the Company's stock or stock options to directors, officers, employees and/or third-party goods/service providers and uses the fair-value based method of accounting for share-based compensations for all awards granted. The resulting compensation expense, based on the fair value of the awards granted is charged to profit or loss over the period that the employees unconditionally become entitled to the award or when goods/services are rendered, with a corresponding increase to contributed surplus. Any consideration received on exercise of stock options or purchase of shares, together with the amount initially recorded in contributed surplus, is credited to share capital.

The Board of Directors grants stock options with vesting periods determined at the sole discretion of the Board and at prices reflecting the share price on the date the options were granted. An individual is classified as an employee when the individual is an employee for legal or tax purposes ("direct employee") or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value of employee stock options granted is measured using the Black-Scholes option pricing model as of the grant date, taking into account the terms and conditions upon which the options are granted. The cumulative expense recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of options that will ultimately vest. The compensation expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Where the terms of a stock option are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

Government assistance and research & development tax credits

Government assistance and research and development tax credits are recorded as either a reduction of the cost of the applicable assets or credited against the related expense incurred in profit or loss, as determined by the terms and conditions of the agreements under which the assistance is provided to the Company or the nature of the expenditures which give rise to the credits.

Government assistance is recorded at fair value when there is reasonable assurance that the grants will be received, and the Company will comply with all attached conditions. Research and development tax credits are accrued when qualifying expenditures are made and there is reasonable assurance that the credits will be realized.

The benefit of loans from government at a below-market interest rate are measured and recognized as the difference between the amount expected to be received less, when material a discount to reduce the loan to fair value. The benefit amount is presented with the carrying value of the loans as long-term debt in the consolidated financial statements of financial position. The benefit amount will be amortized over the repayment period of the loans and the accretion of the loans will be amortized using the effective interest method.

Income taxes

The Company follows the asset and liability method of accounting for income tax. Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination, nor is it recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Other comprehensive income (loss)

Other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net income (loss) such as unrealized gains or losses on available-for-sale investments and translation gains or losses on translation of foreign operations to the presentation currency of the Company.

Segment reporting
Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company views its operations and manages its business in one operating segment.

Earnings (loss) per share
Basic earnings (loss) per share is computed by dividing the profit (loss) for the year attributable to ordinary common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for treasury shares. Diluted earnings (loss) per share is calculated using the treasury stock method.

Under the treasury stock method, the dilution is computed based upon the number of common shares issued should "in the money" options or warrants, if any, be exercised. When the effects of outstandingly stock-based compensation arrangements would be anti-dilutive, diluted loss per share is not calculated. As at January 31, 2020 and 2019, stock options and warrants were not included in the computation of loss per share as they are out of the money and such inclusion would be anti-dilutive.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical accounting judgments
The critical judgments that the Company's management has made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are as follows:

<u>Evaluation of the Company's ability to continue as a going concern</u>
Management has applied judgements in the assessment of the Company's ability to continue as a going concern when preparing these consolidated financial statements. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The assessment of the Company's ability to execute its strategy and finance the operations through achieving positive cash flow from operations or by obtaining additional funding through debt or equity financing involves judgments. Management monitors future cash requirements to assess the Company's ability to realize assets and discharge its liabilities in the normal course of operations.

<u>Determination of functional currency of the Company</u>
The functional currency for each of the Company and its subsidiary is the currency of the primary economic environment in which each entity operates. The determination of each entity's functional currency requires analyzing facts that are considered primary factors, and if the result is not conclusive, the secondary factors. The analysis requires management to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency, management analyzed both the primary and secondary factors, including the currency of each entity's operating cash flow, and sources of financing.

<u>Capitalization of development costs</u>
Management applies judgement in evaluating whether or not development costs incurred by the Company in the internal development of intangible assets meet the criteria for capitalizing. Management determined

that as at January 31, 2020, it was not able to demonstrate with sufficient certainty that it is probable the economic benefits will flow to the Company. Accordingly, all internal development costs incurred to date have been expensed.

Key sources of estimation uncertainty

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of the financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Impairment of trade and other receivables

The assessment of the ultimate collectability of amounts receivable and the determination of the expected credit losses requires significant estimates and assumptions.

See Note 3.

Convertible debentures

The calculation of the fair value of the debt component of the convertible debenture requires using an interest rate that the Company would have had to pay had the loan been obtained without a conversion feature. Such interest rate requires management's estimate by reference to loan interest paid by comparable companies in the similar sector. The Company estimates 15.4% and 16.3% being the reasonable interest rate a comparable company in biotechnology sector would likely pay in obtaining loans. Changes to these estimates may affect the carrying value of convertible debentures and the equity portion of convertible debentures.

Long-term debt

The calculation of benefit of the loans from government at a below-market interest rate requires using an interest rate that the Company would have had to pay if the loan was obtained from the third party. Such interest rate requires management's estimate by reference to loan interest paid by comparable companies in the similar sector. The Company estimates 14.9% being the reasonable interest rate a comparable biotechnology company in France would likely pay in obtaining loans.

Long-term employee benefits

The present value of long-term employee benefits is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related employee benefits. Determination of the benefit costs requires assumptions such as the discount rate to measure employee benefits obligations, the projected age of employees upon retirement, the probability of survival, the probability of employee turnover, and the amount of the employees' last month salary prior to retirement. Actual results may differ from results which are estimated based on assumptions.

Revenue recognition and deferred revenue

The assessment of the timing of revenue recognition and the determination of deferred revenue requires significant estimates and assumptions.

See Note 3.

Research and development expenses

The amount of research and development expenses recognized related to research arrangements with third parties is based on estimates of work performed using the accrual basis of accounting. These estimates are based on the services provided; contractual terms and experience with similar contracts.

5. NEW ACCOUNTING STANDARDS ADOPTED AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has adopted following accounting standards effective November 1, 2019.

i. IFRS 16 Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after November 1, 2019, with earlier adoption permitted. The Company adopted IFRS 16 in the financial statements for the annual period beginning November 1, 2019. The adoption of this standard to have no significant impact on the Company’s financial statements.

ii. IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the IFRS Interpretation Committee issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 Income Taxes are applied where there is uncertainty over income tax treatments. IFRIC 23 becomes effective for annual periods beginning on or after November 1, 2019 and is to be applied retrospectively with early adoption permitted. The adoption of this standard to have no significant impact on the Company’s financial statements.

iii. IFRS 9 Financial Instruments (Amendments)

In October 2017, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 Financial Instruments, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in November 2017, to address the classification of certain prepayable financial assets.

The amendments clarify that a financial asset that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature with negative compensation may be eligible to be measured at either amortized cost or fair value through other comprehensive income. This classification is subject to the assessment of the business model in which the particular financial asset is held as well as consideration of whether certain eligibility conditions are met. The amendments are effective for annual period beginning on or after November 1, 2019. The adoption of this standard to have no significant impact on the Company’s financial statements.

(Expressed in Canadian dollars)

6. TRADE AND OTHER RECEIVABLES

	January 31, 2020	October 31, 2019
Trade receivables	$ 288,307	$ 67,225
Other receivables	44,519	54,159
	$ 332,826	$ 121,384

As of January 31, 2020, there was no allowance for doubtful accounts provision. In determining the recoverability of a trade or other receivable, the Company performs a risk analysis considering the type and age of the outstanding receivable, as well as the Company's exposure to credit and currency risks.

7. TAX RECEIVABLES

	January 31, 2020	October 31, 2019
R&D tax credit	$ 380,187	$ 305,563
GST/HST receivables	18,411	27,448
	$ 398,598	$ 333,011

Tax receivables are mainly related to the R&D tax credit and value added taxes ("VAT"). The Company expects full recovery of the R&D tax credit, VAT and other tax receivables and GST/HST receivables based on the past receipt history and consequently has not recorded any allowance against these receivables.

8. PREPAID EXPENSES AND DEPOSITS

	January 31, 2020	October 31, 2019
Prepaid expenses and deposits	$ 109,232	$ 64,719
Other	732	734
	$ 109,964	$ 65,453

9. TRADE AND OTHER PAYABLES

	January 31, 2020	October 31, 2019
Trade payables	$ 107,969	$ 313,598
Other payables	28,456	102,113
	$ 136,425	$ 415,711

10. CONVERTIBLE DEBENTURES

On November 30, 2018, the Company issued 3,478,571 convertible notes ("Notes D") with a principal amount of $487,000 in exchange for an equivalent amount of Notes B. Each Note is convertible at the option of the holder into one common share of the Company at a conversion price of $0.14 per share during the 12-month term of the Notes D. The Notes D will mature in 12 months from the date of issuance and bear interest at the rate of 12% per annum, payable quarterly, until the Notes D are converted or repaid. The Company is entitled to repay the principal amount of the Notes D, together with accrued and unpaid interest, at any time commencing four months after the date of issuance.

The Company initially recorded $471,826 related to the fair value of the debt component of the Notes D using a market interest rate for comparable companies of 16.3% for an equivalent, non-convertible, loan at the date of issue. The residual amount of $11,076, net of taxes ($4,098) was assigned to the equity conversion component and included in shareholders' equity. The Company amortizes the debt component of the Notes D using an effective interest rate of 15.39% over the term of the Notes D. For the period ended January 31, 2020, $5,003 (2019: $12,340) in finance expense was recorded in the consolidated statement of loss and comprehensive loss. During the period ended January 31, 2020, $250,000 of Notes D were converted into the Company's common shares and a total of 1,785,716 common shares were issued upon conversion. The equity component of the Notes D of $7,789 with the fully accreted debt component was reclassified into share capital of the Company upon the conversion. As at January 31, 2020, the balance of Note D is $nil.

On August 31, 2018, the Company issued 3,168,571 convertible notes ("Notes C") for total gross proceeds of $443,600. Each Note is convertible at the option of the holder into one common share of the Company at a conversion price of $0.14 per share during the 12-month term of the Notes C. The Notes C will mature in 12 months from the date of issuance and bear interest at the rate of 12% per annum, payable quarterly, until the Notes C are converted or repaid. The Company is entitled to repay the principal amount of the Notes C, together with accrued and unpaid interest, at any time commencing four months after the date of issuance.

The Company initially recorded $429,774 related to the fair value of the debt component of the Notes C using a market interest rate for comparable companies of 16.3% for an equivalent, non-convertible, loan at the date of issue. The residual amount of $10,093, net of taxes ($3,733) was assigned to the equity conversion component and included in shareholders' equity. The Company amortizes the debt component of the Notes C using an effective interest rate of 15.39% over the term of the Notes C. For the period ended January 31, 2020, $nil (2019: $16,489) in finance expense was recorded in the consolidated statement of loss and comprehensive loss. As at January 31, 2020, the balance of Note D is $nil.

During May 2017, the Company issued 3,261,111 convertible notes ("Notes B") for a total gross proceeds of $587,000. Each Note is convertible at the option of the holder into one common share of the Company at a conversion price of $0.18 per share during the 18-month term of the Notes B. The Notes B will mature in 18 months from the date of issuance and bear interest at the rate of 12% per annum, payable quarterly, until the Notes B are converted or repaid. The Company is entitled to repay the principal amount of the Notes B, together with accrued and unpaid interest, at any time commencing four months after the date of issuance.

The Company initially recorded $564,498 related to the fair value of the debt component of the Notes B using a market interest rate for comparable companies of 16.3% for an equivalent, non-convertible, loan at the date of issue. The residual amount of $16,651, net of taxes ($5,851) was assigned to the equity conversion component and included in shareholders' equity. The Company amortizes the debt component of the Notes B using the effective interest rate of 14.86% over the term of the Notes B. For the year ended January 31, 2020, $nil (2019: $13,861) in finance expense was recorded in the consolidated statement of loss and comprehensive loss. During the year ended October 31, 2018, $100,000 of principal amount of Notes B was repaid. On November 30, 2018, $487,000 of principal amount of Notes B was exchanged for an equivalent amount of Notes D. As at January 31, 2020, the balance of Note D is $nil.

(Expressed in Canadian dollars)

11. LONG-TERM DEBT

During the year ended October 31, 2015, TFC entered into two loan agreements with BPifrance Financement ("BPI") for a total amount of $1,262,604 (€840,000). The loans were provided to TFC as a regional innovation fund to assist with TFC's research project and the loans are non-interest bearing with fixed repayment terms, commencing April 1, 2018. During the year ended October 31, 2015, the Company received the first draw of the loan totalling $757,562 (€504,000). During the year ended October 31, 2017, the Company received the second draw of the loan totalling $505,042 (€336,000). During the year ended October 31, 2018, a minimum payment of €37,500 ($56,366) was made.

Repayment terms of BPI loan are as follows:

- 23.42% of profit, excluding taxes, of sales or concessions of patent licenses or know-how collected during the year related to the research project, financed by BPI loan.
- 23.42% of profit, excluding taxes, generated by the marketing and the sale to a third party or the Company's own use.
- Minimum repayments per year have been postponed and commence in December 2019.

Minimum payments under the long-term debt at January 31, 2020, are as follows:

2020	$	234,574	€	170,000
2021		307,712		210,000
2022		366,325		250,000
2023		197,816		135,000
	$	1,106,427	€	765,000

(Expressed in Canadian dollars)

12. LEASE OBLIGATION

In June 2016, TFC entered into a lease agreement with an NATIXIS Lease to lease a scientific instrument. The lease agreement bears interest of 2.7% annually, and expires in seven years on May 6, 2023, with monthly lease payments of $3,323 (€2,265) or an annual lease payment of $39,876 (€27,180). Management has assessed that the lease is a finance lease. The lease is guaranteed by BPI.
Minimum payments under the finance lease at January 31, 2020, are as follows:

2020	$	29,907
2021		39,876
2022		39,876
2023		25,825
		135,484
Less: amount representing interest		(6,337)
Principal		129,147

13. LICENSING AGREEMENTS

Agreement with Wanbang Biopharmaceuticals ("Wanbang")

On January 23, 2014, the Company entered into a licensing and co-development agreement with Wanbang, pursuant to which the Company grants an exclusive, non-sublicensable, non-transferrable license of its IP rights to use the licensed information to conduct clinical research, development, registration, promotion, manufacturing and distribution and sales of anti-diabetic SGLT2 inhibitor in the People's Republic of China excluding Hongkong and Macau. In consideration for the license grant, Wanbang agrees to make upfront, milestone and royalty payments as below:

i. US$200,000 upon the signing of this agreement (paid in fiscal 2014 and recorded as revenue);
ii. US$300,000 upon successful completion of the first line test (paid in fiscal 2016 and recorded as revenue);
iii. US$500,000 ($623,381) upon successful filing of IND application under CFDA (paid in fiscal 2018 and recorded as revenue);
iv. US$500,000 ($648,527) upon receipt of CTA by CFDA for a Phase I study in the territory (paid in fiscal 2018 and recorded as revenue);
v. US$1,500,000 upon receipt of CTA by CFDA for a Phase III study;
vi. US$2,500,000 upon successful completion of a first Phase III study;
vii. US$4,000,000 upon NDA approval by CFDA in the territory; and
viii. Running royalties of 5% on product net sales during the royalty period.

Manufacturing and Supply Agreement with Rodan & Fields, LLC ("R&F")

On September 13, 2019, the Company entered into a manufacturing and supply agreement, pursuant to which the Company shall manufacture, test, label, package, store and supply R&F of skin lightening compound. In consideration for these services, R&F shall also make the license fee and milestone payments to the Company

This agreement runs for a five-year term, with R&F having the option to extend the term for an additional three years, and is cancellable upon R&F providing the Company 30 days' written notice. On termination of the agreement, R&F will reimburse the Company for any materials unique to R&F and which remain in the Company's possession.

14. EMPLOYEE BENEFITS

As of January 31, 2020, and 2019, the employee benefit amount represents the retirement allowance payable accrued by TFC. The obligation of TFC is limited to legal obligations applicable in France. For each employee, a calculation is made based on future benefits they have earned during their service in the current and prior years. The benefit is discounted to determine its present value. The calculation is made annually using the projected benefit method using following assumptions:

- Discount rate: 0.56%
- Increase in salaries: 1.5%
- Turnover: 5.1% for under 55 years old and 0% over 55 years old
- Payroll tax rate: 39.5%

The assumptions used are in accordance with French legislation and practice.

15. SHARE CAPITAL

Share capital

a) Authorized: Unlimited common shares without par value.

b) Issued: As of January 31, 2020, 226,164,320 (2019: 224,030,004) common shares were issued and outstanding.

On July 10, 2019, the Company completed a private placement for total gross proceeds of $1,500,000. The private placement consists of 3,750,000 units at $0.40 per unit. Each unit consists of one common share of the Company and one transferable share purchase warrant. Each warrant is exercisable into an additional common share of the Company for a period of three years at a price of $0.60 per warrant. The Company estimated the fair value of the warrants at $659,612 and recorded the amount in contributed surplus. The Company issued 205,960 broker's warrants fair valued at $64,662 and paid cash of $10,284 to the finder in connection with the private placement.

On February 27, 2019, the Company completed a private placement for total gross proceeds of $1,783,500. The private placement consists of 17,835,000 units at $0.10 per unit. Each unit consists of one common share of the Company and one transferable share purchase warrant. Each warrant is exercisable into an additional common share of the Company for a period of three years at a price of $0.16 per warrant. The Company estimated the fair value of the warrants at $688,747 and recorded the amount in Contributed surplus. The Company issued 621,630 broker's warrants fair valued at $39,090 and paid cash of $62,136 to the finder in connection with the private placement.

During the year ended October 31, 2019, 10,580,000 (2019: 50,000) shares were issued for the exercise of options and 7,277,594 (2019: nil) shares were issued for the exercise of warrants. The total cash proceeds of $ 3,874,303 (2019: $5,000) has been received for options exercised and $1,597,208 (2019: $Nil) for warrants exercised. The $224,833 value of warrants exercised originally recorded to contributed surplus at issuance was reclassified to share capital upon exercise.

During the period ended January 31, 2020, 225,000 (2019: nil) shares were issued for the exercise of options and 123,600 (2019: nil) shares were issued for the exercise of warrants. The total cash proceeds of $ nil (2019: $nil) has been received for options exercised and $3,776 (2019: $Nil) for warrants exercised. The $61,372 value of options and warrants exercised originally recorded to contributed surplus at issuance was reclassified to share capital upon exercise.

(Expressed in Canadian dollars)

Warrants

A summary of warrant activities for the years is as follows:

	Number of Warrants		Weighted average exercise price	Weighted average remaining contractual life (year)
Balance at October 31, 2018	13,497,504	$	0.23	1.97
Warrants exercised	(7,277,594)		0.22	-
Warrants expired	(1,823,750)		0.30	-
Warrants granted exercisable on or before February 27, 2022	17,835,000		0.16	2.58
Broker warrants granted exercisable on or before February 27, 2022	621,360		0.16	2.58
Warrants granted exercisable on or before July 16, 2022	3,750,000		0.60	2.96
Broker warrants granted exercisable on or before July 16, 2022	205,960		0.60	2.96
Balance at October 31, 2019	26,808,480	$	0.23	2.55
Warrants exercised	(123,600)		0.16	-
Balance at January 31, 2020	26,684,880		0.23	2.05

At January 31, 2020, the warrants outstanding and exercisable were as follows:

Expiry Date		Exercise Price	Number of Warrants as at January 31, 2020
October 16, 2021	$	0.18	6,195,100
October 16, 2021	$	0.18	35,660
February 27, 2022	$	0.16	16,042,000
February 27, 2022	$	0.16	456,160
July 16, 2022	$	0.60	3,750,000
July 16, 2022	$	0.60	205,960
			26,684,880

The fair value of the warrants granted was estimated using the Black-Scholes option pricing model with the following estimated assumptions:

	2020	**2019**
Risk-free interest rate	1.54% to 1.78%	1.54% to 1.78%
Dividend yield	0%	0%
Volatility	87% to 99.39%	87% to 99.39%
Expected life	3 years	3 years
Share price of grant date	$0.125 to $0.48	$0.125 to $0.48

(Expressed in Canadian dollars)

Stock options

At January 31, 2020, the stock options outstanding and exercisable were as follows:

Expiry Date	Exercise Price	Number of Options as at October 31, 2019	Granted During the Period	Exercised During the Period	Expired/ Cancelled During the Period	Number of Options as at January 31, 2020	Number of Options Exercisable as at January 31, 2020
June 1, 2020	$0.50	300,000	-	-	-	300,000	300,000
January 31, 2020	$0.15	45,000	-	-	(45,000)	-	-
November 3, 2021	$0.15	25,000	-	-	-	25,000	25,000
January 21, 2021	$0.45	-	1,000,000	-	-	1,000,000	1,000,000
June 21, 2021	$0.20	100,000	-	-	-	100,000	100,000
March 1, 2022	$0.12	100,000	-	-	-	100,000	100,000
January 21, 2023	$0.45	-	725,000	(225,000)	-	500,000	500,000
June 7, 2024	$0.52	300,000	-	-	-	300,000	300,000
January 21, 2025	$0.45	-	700,000	-	-	700,000	700,000
June 26, 2025	$0.16	3,300,000	-	-	-	3,300,000	3,300,000
September 21, 2026	$0.20	300,000	-	-	-	300,000	300,000
November 20, 2027	$0.15	1,250,000	-	-	-	1,250,000	1,250,000
February 26, 2029	$0.12	500,000	-	-	-	500,000	500,000
January 21, 2030	$0.45	-	4,375,000	-	-	4,375,000	4,375,000
		6,220,000	6,800,000	(225,000)	(45,000)	12,750,000	12,750,000

(Expressed in Canadian dollars)

At October 31, 2019, the stock options outstanding and exercisable were as follows:

Expiry Date	Exercise Price	Number of Options as at October 31, 2018	Granted During the Year	Exercised During the Year	Expired/ Cancelled During the Year	Number of Options as at October 31, 2019	Number of Options Exercisable as at October 31, 2019
November 22, 2018	$0.15	1,100,000	-	-	(1,100,000)	-	-
January 1, 2019	$0.10	-	100,000	(100,000)	-	-	-
April 2, 2019	$0.10	800,000	-	(800,000)	-	-	-
April 25, 2019	$0.11	750,000	-	(750,000)	-	-	-
May 31, 2019	$0.15	200,000	-	-	(200,000)	-	-
October 21, 2019	$0.15	-	-		-	-	-
August 31, 2019	$0.15	400,000	-	-	(400,000)	-	-
September 1, 2019	$0.50	-	500,000	(100,000)	(400,000)	-	-
November 1, 2019	$0.45	-	500,000	(500,000)	-	-	-
February 25, 2020	$0.15	300,000	-	-	(300,000)	-	-
April 1, 2020	$0.19	-	200,000	(200,000)	-	-	-
June 1, 2020	$0.50	-	1,000,000	(1,000,000)	-	-	-
June 1, 2020	$0.50	-	1,000,000	(700,000)	-	300,000	300,000
March 1, 2021	$0.17	-	600,000	(600,000)	-	-	-
June 21, 2021	$0.20	300,000	-	(100,000)	(100,000)	100,000	100,000
November 3, 2021	$0.15	400,000	-	(330,000)	-	70,000	70,000
January 10, 2022	$0.18	100,000	-	(100,000)	-	-	-
March 1, 2022	$0.12	-	200,000	(100,000)	-	100,000	100,000
September 26, 2022	$0.15	1,300,000	-	(1,300,000)	-	-	-
November 20, 2022	$0.15	500,000	-	(500,000)	-	-	-
January 10, 2023	$0.18	100,000	-	(100,000)	-	-	-
February 26, 2024	$0.10	-	400,000	(400,000)	-	-	-
April 25, 2024	$0.19	-	1,300,000	(1,300,000)	-	-	-
June 7, 2024	$0.52	-	300,000	-	-	300,000	300,000
June 26, 2025	$0.16	3,300,000	-	-	-	3,300,000	3,300,000
September 21, 2026	$0.20	900,000	-	(600,000)	-	300,000	300,000
November 20, 2027	$0.15	1,450,000	-	(200,000)	-	1,250,000	1,250,000
February 26, 2029	$0.12	-	500,000	-	-	500,000	500,000
April 25, 2029	$0.19	-	600,000	(600,000)	-	-	-
June 14, 2029	$0.45	-	200,000	(200,000)	-	-	-
		11,900,000	7,400,000	(10,580,000)	(2,500,000)	6,220,000	6,220,000

The weighted average contractual life remaining of all stock options as at January 31, 2020 is 6.59 years (2019: 5.93 years). During the year ended January 31, 2020, 6,800,000 stock options were granted with a weighted average exercise price of $0.45.

The fair value of the options granted was estimated using the Black-Scholes option pricing model with the following weighted average estimated assumptions:

	2020	2019
Risk-free interest rate	1.65%	1.54% to 1.78%
Dividend yield	0%	0%
Volatility	104.63% to 159.49%	87% to 99.39%
Expected life	1-3 years	3 years
Share price of grant date	$0.45	$0.125 to $0.48

For the period ended January 31, 2020, share-based compensation in the amount of $1,815,542 (2019 - $nil) was recognized in the Company's consolidated statements of loss and comprehensive loss.

(Expressed in Canadian dollars)

The Company's stock option plan is administered by the board of directors in accordance with Exchange requirements summarized below:

(i) maximum available for grant is up to 10% of the Company's issued shares outstanding at any one time;
(ii) grant price and exercise price may not be less than the discounted market price of the shares at the time of grant, as permitted by Exchange policy;
(iii) non-transferable, vesting schedule subject to Board discretion when granted and exercisable up to 10 years from grant date;
(iv) eligibility includes employees, directors, officers and consultants of the Company subject to a 5% limitation on options granted annually to any one individual director or officer and 2% to any one consultant; and
(v) exercisable up to 90 days following cessation of the optionee's position with the Company. If the cessation of office, directorship or consulting arrangement was due to death, the option may be exercised within a maximum period of one year after death, subject to expiry date of such option.

16. RELATED PARTY TRANSACTIONS

Related party transactions impacting the consolidated financial statements primarily relate to transactions with key management personnel. Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

During the period ended January 31, 2020 and 2019, the Company incurred the following expenses to officers or directors of the Company or companies with common directors:

	2020 **$**	**2019** **$**
Management fees (a)	40,320	36,000
Accounting fees (b)	36,960	30,000
Salaries (c)	28,560	25,500
Share-based payments (d)	1,307,536	-
Total	1,413,376	91,500

(a) For the year ended January 31, 2020, $40,320 (2019: $36,000) in management fees were paid/incurred to a company controlled by Howard Verrico, for acting as CEO, secretary and director.

(b) For the year ended January 31, 2020, $36,960 (2019: $30,000) in accounting fees were paid/incurred to Christopher Hopton for acting as CFO.

(c) For the year ended January 31, 2020, $28,560 (2019: $25,500) in salary were paid/incurred to the VP, Operations.

(d) For the period ended January 31, 2020, 4,325,000 (2019: nil) stock options were granted to management and directors and $1,307,536 (2019: $nil) of share-based payments expense was recorded.

(Expressed in Canadian dollars)

These related party transactions are in the normal course of operations and have been valued in these consolidated financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

17. COMMITMENTS

On April 1, 2015, the Company entered into an indefinite management service agreement with Christopher Hopton, whereby Christopher Hopton will receive $12,320 (plus GST) per month until the agreement is terminated by either party.

On April 1, 2015, the Company entered into an indefinite management service agreement with Howard Verrico, whereby Howard Verrico will receive $13,440 (plus GST) per month until the agreement is terminated by either party.

18. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Company's activities expose it to a variety of financial risks. The Company's overall business strategies, tolerance of risk and general risk management philosophy are determined by the directors in accordance with prevailing economic and operating conditions.

The Company has the following financial instruments as of January 31, 2020 and October 31, 2019:

	Categories	January 31, 2020 $	October 31, 2019 $
Financial assets			
Cash and cash equivalents	Amortized cost	3,071,664	3,734,647
Trade and other receivables	Amortized cost	332,826	121,384
Share subscription receivable	Amortized cost	18,400	2,400
Financial liabilities			
Trade and other payables	Amortized cost	136,425	415,711
Convertible debentures	Amortized cost	-	247,544
Long-term debt	Amortized cost	1,106,428	1,162,803
Lease obligation	Amortized cost	129,147	138,359

Fair value of financial instruments

The Company classifies its fair value measurements in accordance with the three level fair value hierarchies as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash and cash equivalents, trade and other receivables, share subscription receivable and trade and other payables approximate their carrying values due to the short-term nature of these instruments. The fair value of convertible debentures, lease obligation, short-term loan and long-term debt are determined by discounting future payments of loan principals and interests under the loans at prevailing market interest rates at each reporting date. The difference between the fair value and carrying amount is minimal.

Financial risk management objectives and policies

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Credit risk is the risk that one party to a financial instrument will fail to discharge its contractual obligations and cause the other party to incur a financial loss and arises principally from the Company's cash and cash equivalents and trade and other receivables. This risk is managed by placing its cash and cash equivalents with major financial institutions which have high credit quality as determined by the rating agencies. To mitigate credit risk with respect to trade receivables, the Company subjects all major customers to its credit evaluation process. At January 31, 2020, the Company had $332,826 (2019: $121,384) in trade and other receivables which were subject to credit risk.

See Note 6.

(ii) Since the Company's functional currency is the Canadian dollar, it has a foreign exchange risk regarding its Euro obligations since it has a subsidiary in France. A significant change in the currency exchange rates between the Euro relative to the Canadian dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations. A 1% fluctuation in the Canadian dollar against the Euro would have a before-tax effect of approximately an $5,173 increase or decrease in accumulated other comprehensive income, based on amounts held at year end.

(iii) The Company's exposure to interest rate risk relates to its ability to earn short term interest on cash balances at variable rates. The Company is exposed to interest rate risk on its cash and cash equivalents. The Company has no floating interest rate loans. Management does not believe that the impact of interest rate fluctuation will be significant.

(iv) Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Given the cash and cash equivalents balance of $3,071,664 at January 31, 2020 and under current market conditions, both liquidity and funding risk have been assessed as relatively low.

(Expressed in Canadian dollars)

The following table summarizes the significant remaining contracted payments of the Company's financial liabilities and capital expenditures as at January 31, 2020:

		Due by period				
	Total	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	> 5 years
	$	$	$	$	$	$
Trade and other payables	136,425	136,425	-	-	-	-
Convertible debentures	-	-	-	-	-	-
Long-term debt	1,106,427	234,574	307,713	366,325	197,816	-
Lease obligation	135,484	29,907	39,876	39,876	25,825	-
	1,378,336	400,906	347,589	406,201	223,641	-

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the technology research. Therefore, the Company monitors the level of risk incurred in its technology research relative to its capital structure which is comprised of working capital and shareholders' equity.

The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All sources of financing are analysed by management and approved by the board of directors.

The Company is meeting these objectives primarily through its on-going cash management procedures, which include monthly comparison of actual results against budget and periodic forecasting of cash flow requirements.

19. GEOGRAPHIC SEGMENT AND ECONOMIC DEPENDENCE

The Company is located and operated in Canada and France.

The Company's net loss by geographic locations for the years ended January 31, 2020 and 2019 are as follows:

Net loss	**Year ended January 31, 2020**	**Year ended October 31, 2019**
	$	**$**
Canada	(2,427,038)	(280,528)
France	519,503	(300,979)
Total	(1,907,535)	(581,507)

The Company's total assets by geographic location are as follows:

Total assets	**January 31, 2020**	**October 31, 2019**
	$	**$**
Canada	2,740,387	3,743,572
France	1,191,065	513,323
Total	3,931,452	4,256,895